



**MCI Communications  
Corporation**

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October 20, 1999

Magalie Roman Salas  
Secretary, Room TW-A325  
Federal Communications Commission  
The Portals, 445 Twelfth Street, SW  
Washington, DC 20554

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FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Re: **In the Matter of Low-Volume Long Distance Users, CC Docket No. 99-249**

Dear Ms. Salas:

Enclosed herewith for filing are the original and four (4) copies of MCI WorldCom's Reply Comments regarding the above-captioned matter.

Please acknowledge receipt by affixing an appropriate notation on the copy of the MCI WorldCom Reply Comments furnished for such purpose and remit same to the bearer.

Sincerely yours,

Don Sussman

Enclosure  
DHS

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Before the  
FEDERAL COMMUNICATIONS COMMISSION  
Washington, DC 20554

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OCT 20 1999  
FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

In the Matter of:

Low-Volume Long Distance Users

Notice of Inquiry

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CC Docket No. 99-249

**MCI WORLDCOM, INC. REPLY COMMENTS**

MCI WorldCom, Inc. (MCI WorldCom) hereby submits these Reply Comments in response to the Comments filed in the Commission's Notice of Inquiry on Low-Volume Long Distance Users.<sup>1</sup> As the record in this proceeding clearly reflects, the Commission's concern that certain flat-rated charges on single-line residential and business customers are not benefitting all segments of the mass market is misplaced.

Statistical evidence has been submitted by several parties demonstrating that a low correlation exists between long distance usage and income levels, and that low-volume usage is common among all income levels. For example, in an affidavit attached to MCI WorldCom's comments, MCI WorldCom provides an economic analysis of two part pricing in the long distance segment. Included in the analysis is a review of publicly-available PNR data illustrating

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<sup>1</sup> See In the Matter of Low-Volume Long Distance Users, Notice of Inquiry, CC Docket No. 99-249, released July 20, 1999 (Notice). On July 20, 1999, the Commission released the above-captioned Notice seeking comment "on the impact of certain flat-rated charges on single-line residential and business customers who make few, or no, interstate long-distance calls." Id. at ¶ 1. The Commission's interest in low-volume long distance users stems from its desire to "ensure that all Americans benefit from a robust and competitive communications marketplace." Id.

a very weak correlation between call volumes and household income.<sup>2</sup> Similarly, AT&T concludes that "there is virtually no correlation between income and low-volume long distance usage."<sup>3</sup> Significantly, no statistical evidence has been submitted that contradicts MCI WorldCom's analysis or AT&T's affidavit. In addition, increased regulation of the long distance segment is not necessary to protect consumers. As Qwest points out, the most recent report on telephone subscribership levels indicates that there has been no meaningful reduction in telephone penetration among the lowest income households since passage of the Telecommunications Act.<sup>4</sup>

First, Long distance carriers, local exchange carriers, and regulators all agree that the long distance market is competitive, and that long distance customers have a variety of carriers, plans, rates, promotions, billing options, and services from which to choose.<sup>5</sup>

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<sup>2</sup> "An Economic Analysis of the FCC's Notice of Inquiry on Flat Rate Charges in the Long Distance Industry," George Ford, Senior Economist, MCI WorldCom, September 22, 1999. The PNR data demonstrates that every \$1,000 increase in income produces about one minute more of long distance usage. The data also demonstrates that some low volume-users have high incomes, and some do not.

<sup>3</sup> Declaration of Gregory L. Rosston, AT&T Comments.

<sup>4</sup> Qwest Comments at 4, stating that telephone subscribership among households with an annual income of \$5,000 or less was 75.6% in 1996 compared with 75.9% in March of 1999. See Alexander Belinfante, Telephone Subscribership in the United States, Industry Analysis Division, Common Carrier Bureau, Federal Communications Commission, Table 4 (rel. May 7, 1999).

<sup>5</sup> In response to the initiation of this proceeding, Commissioner Furchtgott-Roth stated that "the Commission has long recognized that the market for long distance services is substantially competitive." Dissenting Statement of Commissioner Harold Furchtgott-Roth, Notice. Commissioner Powell concurred, noting that "the long distance industry is highly competitive and has created greater choice and value for all consumers." Separate Statement of Commissioner Michael Powell, Notice. Chairman Kennard pointed out the benefits of competition to Congress in his recent testimony, stating that between 1992 and 1997 long distance rates fell by 24 percent

Second, low-volume users have choices for telecommunications directed to them.<sup>6</sup>

BellSouth noted that “Low-volume users, as have every other customer, have a variety of choices they can make with regard to purchasing long distance services. The range of alternatives available enable the low-volume user to decide how much he will spend on long distance services and whether or not his long distance charges will primarily be usage based or a combination of flat-rate and usage based charges. . . Further, the long distance alternatives that are available are not obscure, hidden pricing plans, known only to a savvy few.”<sup>7</sup> Likewise, GTE argued that “. . . consumers are regularly exposed to numerous advertisements from carriers offering new pricing plans. These include options with no monthly minimum charges, and, as the Commission has noted, dial-around plans with no monthly minimums abound. Thus, a low-volume consumer has a variety of options available to avoid the minimum monthly charges some carriers are requiring.”<sup>8</sup> The United States Telephone Association (USTA) found that “Consumers, whether they are high or low-volume long distance users, are free to choose among the offerings of the IXC’s [interexchange carriers] in a competitive market.”<sup>9</sup> Additionally, USTA

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and by twice the amount of access charge reductions. Testimony before the House Subcommittee of Telecommunications, Trade and Consumer Protection on the Reauthorization of the Federal Communications Commission, A New Federal Communications Commission for the 21<sup>st</sup> Century, March 17, 1999.

<sup>6</sup> See, for example, MCI WorldCom Comments at 5-8; AT&T Comments at 21-24.

<sup>7</sup> Comments of BellSouth Corporation, In the Matter of Low-Volume Long Distance Users, Notice of Inquiry, CC Docket No. 99-249 (September 22, 1999), at ¶ 10, 11.

<sup>8</sup> Comments of GTE Corporation, In the Matter of Low-Volume Long Distance Users, Notice of Inquiry, CC Docket No. 99-249 (September 22, 1999), at 9.

<sup>9</sup> Comments of United States Telephone Association, In the Matter of Low-Volume Long Distance Users, Notice of Inquiry, CC Docket No. 99-249 (September 22, 1999) (Comments of

asserted that "... low-volume long distance customers are not without choices. . . Consumers can switch rate plans, switch to another long distance company, not have a presubscribed long distance company at all, or utilize dial around services."<sup>10</sup> The weight of the evidence demonstrates that there is no market failure with respect to low-income or low-volume customers that requires a regulatory mandate as a solution.

Over the past two decades, the Commission has zealously and consistently charted a course toward competition in lieu of regulation to protect consumers. In 1975, the Commission took initial steps to promote competition in the private line market when it allowed MCI to compete with AT&T by offering private line service via microwave facilities between St. Louis and Chicago.<sup>11</sup> In 1977, regulators permitted a wider consumer base to benefit from competitive forces by permitting competition for switched long distance services.<sup>12</sup> In the early 1980s, after years of court battles, the Modified Final Judgment (MFJ) required that each local Bell Operating Company (BOC) provide all long distance carriers with equal access to its facilities on a basis that was equal with the access provided to AT&T.<sup>13</sup> The Commission implemented and enforced

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USTA).

<sup>10</sup> Id. at 2-3.

<sup>11</sup> See In the Matter of Specialized Common Carrier Services, 29 F.C.C.2d 870, 920 (1971), aff'd sub nom. Washington Util. & Transp. Comm'n v. FCC, 513 F.2d 1142 (9<sup>th</sup> Cir.), cert. denied, 423 U.S. 836 (1975).

<sup>12</sup> See MCI Telecom. Corp. v. FCC, 561 F.2d 365 (D.C. Cir. 1977) (Execunet I); MCI Telecom. Corp. v. FCC, 580 F.2d 590 (D.C. Cir. 1978) (Execunet II). Then Common Carrier Bureau Chief, Bernard Strassburg, noted that the decisions had "ominous implications for the future implementation of the FCC's pro-competitive policies." Fred Heck and Bernard Strassburg, A Slippery Slope: The Long Road to the Breakup of AT&T 160 (1988).

<sup>13</sup> See MFJ, 552 F. Supp. at 142.

the equal access provisions of the MFJ, noting that “the provisions of equal access will increase competition and lead to the development of an industry structure that is more responsive to consumer needs.”<sup>14</sup> These policies led to an explosion of competition in the long distance industry. New competitors offered innovative services with competitive rate plans to compete with AT&T. By 1988, competitors had gained more than 43% of the long distance market.<sup>15</sup>

The Commission furthered its commitment to fostering competition in all telecommunications markets in 1989 by permitting competitors to compete on equal terms for 800 subscribers and allowing all long distance carriers to provide 800 service, including the small providers who only offered regional long distance service.<sup>16</sup> Today, due in large part to these deregulatory actions, 800 number products are available at affordable rates to residential and business customers of all sizes.

In 1991, realizing the competitive growth in the long distance industry, the Commission used the Interstate Competition proceedings to examine competition in the long distance marketplace and to assess the efficiency of the current regulations.<sup>17</sup> The Commission found that some business and 800 services had become “substantially competitive” and thus, streamlined

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<sup>14</sup> Equal Access Cost Order, 50 Fed. Reg. at 50914, ¶ 26.

<sup>15</sup> See Trends in Telephone Service, Federal Communications Commission, Common Carrier Bureau, released September 17, 1999, at 11.4 (Trends in Telephone Service). Table 11.4 represents total long distance revenue including IXCs, LECs, and other carriers.

<sup>16</sup> See id. at 2825-26.

<sup>17</sup> See In the Matter of Competition in the Interstate Interexchange Marketplace, 6 F.C.C. Rcd 5880 (1991).

its regulation of those services.<sup>18</sup> Under the deregulatory procedures, the Commission permitted AT&T to quickly react to changing market conditions by filing business service tariffs on fourteen days notice,<sup>19</sup> and allowed all IXCs to offer services pursuant to individually negotiated contracts.<sup>20</sup>

By 1995, competitors had gained more than 55% of the long distance market share.<sup>21</sup> The Commission, recognizing the changed competitive landscape, granted AT&T non-dominant status.<sup>22</sup> The Commission concluded that AT&T no longer held market power in the highly competitive long distance market and that deregulatory measures were necessary.<sup>23</sup>

With the enactment of the Telecommunications Act of 1996 (the Act or 1996 Act) and its deregulatory stance, the long distance market continues to grow more competitive.<sup>24</sup> The Act

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<sup>18</sup> See *id.* at 5887. Then Commissioner, Rachelle Chong, recognized the benefits of the detariffing policy by noting “I am confident that consumers will be the ultimate beneficiaries of the many benefits, such as lower prices and more choices, that will flow from our new forbearance policy.” *Id.* at 20822 (Separate Statement of Commissioner Rachelle B. Chong).

<sup>19</sup> See *id.* at 5894.

<sup>20</sup> See *id.* at 5880-81.

<sup>21</sup> See Trends in Telephone Service, table 11.4.

<sup>22</sup> See Motion of AT&T Corp. to be Reclassified as a Nondominant Carrier, 11 F.C.C. Rcd 3271, 3273, 3281 (1995).

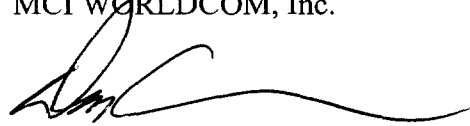
<sup>23</sup> See *id.* at 3292-93. Commissioner Ness recognized the new competitive marketplace in finding that “Time has passed, and conditions have changed. . . . Once again, increased competition is the basis for decreased regulation.” *Id.* at 3372 (Separate Statement of Commissioner Susan Ness).

<sup>24</sup> One of the main goals of the 1996 Act was to establish “a pro-competitive, de-regulatory national policy framework” that opened “all telecommunications markets to competition.” Joint Explanatory Statement of the Committee of Conference, S. Conf. Rep. No. 230, 104<sup>th</sup> Cong., 2d Sess. 113 (1996) (Joint Explanatory Statement).

permits another type of competitor into the long distance industry, the Bell Operating Companies.<sup>25</sup>

The Notice raises questions that, if enacted into regulation, would reverse in part decades-long efforts to replace regulation with competition. There are 25 years worth of reasons why competition is preferable to regulation when it comes to lowering costs and protecting consumers. On this record, there is no basis for the Commission to reverse course. As is pointed out in the overwhelming majority of comments filed in this proceeding, low-volume usage does not necessarily equate to low income. Equally as important, low-volume users are currently being served. The Commission should terminate this inquiry and refocus its efforts into ensuring that all telecommunications markets are as competitive as the long distance market.

Respectfully submitted,  
MCI WORLD COM, Inc.



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October 20, 1999

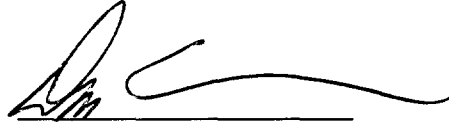
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<sup>25</sup> The BOCs could immediately enter out-of-region long distance markets, and can enter in-region markets upon a showing that the local markets are open.



**STATEMENT OF VERIFICATION**

I have read the foregoing and, to the best of my knowledge, information, and belief, there is good ground to support it, and it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on October 20, 1999.

A handwritten signature in black ink, appearing to read 'Don Sussman', written over a horizontal line.

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## **CERTIFICATE OF SERVICE**

I, Vivian Lee, do hereby certify that copies of the foregoing Reply Comments In the Matter of Low-Volume Long Distance Users were sent on this 20th day of October, 1999, via first-class mail, postage pre-paid to the following:

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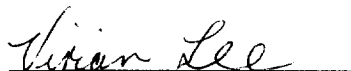
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